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THE BORAX TRUST

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BY

BYRON W. HOLT.



The ninth in a series of letters issued by the New England
Free Trade League.

THE BOMAY TRUST

TRUSTEES

THE BOMAY TRUST

THE BORAX TRUST.

A World Trust, but still a Tariff Trust.

IT SELLS BORAX AT 7 CENTS IN NEW YORK AND 3 1-2
IN LONDON.

**A Brief History of the Borax Industry. Always controlled by
Combinations. Secured Increased Duties by Misrepresent-
ing Facts.**

By BYRON W. HOLT.

The Borax Trust is one of the best examples of the evils of tariff "protection." Unearned and undeserved profits, enhanced prices, restricted production, limited consumption, employment of foreign labor at low wages, lower prices to foreigners than to Americans, false and hypocritical plea that free borax would destroy the borax industry,—these are some of the results of the unnecessary and unjust duties on borax and boracic acid.

While the borax industry is not one of our great industries,—the total product selling for only about \$1,500,000,—it is yet of considerable importance, because borax is an almost essential article in every household and is a most useful article in many industries. It is used largely in the packing of pork and other meats, butter, etc., and is most useful in the arts, manufactures, and mines. It is a flux for all metals, enabling them to melt at a lower temperature. It is used largely in the manufacture of soap and leather. It is a bleach, an emollient, an antiseptic, a cleanser and purifier and a medicine. The extent of its use in many industries depends largely upon its price.

The principal borax mines or deposits of the world are in California and Nevada, in Asia Minor, Peru and Chili. Mines or deposits exist in Italy, Turkey and other countries; but the cost of producing in them is too great to make them of commercial importance.

The largest, most easily worked and most productive mines of the world are those in California. These were discovered in 1856, but were not much worked until about 1873.

TARIFF DUTIES.

Previous to 1883 there was no duty on borate of lime and crude borate. The Tariff of 1883 made the duty on refined borax and on pure boracic acid 5 cents per pound, on commercial boracic acid 4 cents and on borate of lime and crude borax 3 cents. The Tariff of 1890 made the duty on all boracic acid 5 cents. The Tariff of 1894 reduced the duty on all borax to 2 cents per pound, on boracic acid to 3 cents and on borate of lime to $1\frac{1}{2}$ cents. The Tariff of 1897 made the duty on borax and boracic acid 5 cents, and the duty on borates containing more than 36 per cent. of anhydrous boracic acid 4 cents, and less than 36 per cent. of acid 3 cents. The object lesson resulting from these changes of duties is most interesting, not only to our own citizens, but to the people of the entire world.

CONTROLLED BY TRUSTS.

Because of the limited area in which the mines are found and the difficulty of reaching and of operating them, it seems but natural that these mines or deposits should fall into few hands and that the few owners should combine to prevent competition and to bring about high prices. As early as 1878 an agreement was entered into between the California producers by which production was to be curtailed. A more formal combination was formed in 1879.

In 1885 the "Borax Board" was organized. It included about all of the producers upon the Pacific Slope. A more perfect combination was formed in 1888; and in November, 1890, the Pacific Coast Borax Company absorbed nearly all of the producers. It has always been the policy of Mr. F. M. Smith, the head of this company, to gobble up all of the new deposits which might prove of commercial value. He has usually worked but one or two of the 10 or 12 mines which his company owns and to-day is working only the Colemanite mine at Daggett, Cal., and is holding idle such important deposits as those in Death's Valley and San Bernardino, Cal., and those in Nevada. One or two small deposits, such as those at Columbus, Nev., may be worked on shares; but the

product of these small properties all passes through the hands of the Pacific Coast Borax Company and no crude borax is obtainable except from this company.

A WORLD TRUST.

Prior to the latter part of 1894 the foreign market was in the hands of a European syndicate, which had a virtual monopoly. This foreign syndicate had an understanding with the Pacific Coast Company through which the latter was left to the enjoyment of the American market. Soon after the reduction of duties in 1894 and the low price at which our trust was compelled to sell, our producers began an aggressive warfare on the foreign monopoly. In June, 1896, the Pacific Borax and Redwood's Chemical Works, Limited, was incorporated in England with a capital of \$2,550,000, and \$500,000 of bonds. It took over the businesses and properties of the Pacific Coast Borax Company and of Redwood & Sons, chemical manufacturers in England. Mr. F. M. Smith became the managing director in the United States. This new English-American combination carried on such an aggressive and expensive warfare in Europe that in January, 1899, the foreign manufacturers capitulated, and sold their interests to a new combination, dictated by the California producers. This new combination is the Borax Consolidated Works, Limited, with a capital of \$7,000,000. It is an amalgamation of the 12 principal borax producers and refiners of the world, namely:—

“The Pacific Borax and Redwood's Chemical Works, Limited; Mear & Green, Limited, Kidsgrove, Staffordshire, England; Borax Company, Limited, London; Société Lyonnaise des Mines et Usines de Borax of Lyons, France; Empresa de Ascotan Company, Chili; Sociedad Boratera de Carcote, near Ascotan, Chili; Boratera de Cosapilla, near Tacua, Chili; Boratera de Chilicolpa, near Tacua, Chili; Compania Boratera de Arequipa, Peru, including the deposits formerly owned by Señors Pena and Caballero; Compania Boratera de Ubinas, Arequipa, Peru; that part of the Pintados deposit formerly the property of the Products Distribution Company, Limited, Iquique, Chili; and 7,142 out of the 110,000 shares of the San Bernardino Borax Mining Company of California.”

These are not all the mines and sources of production in the world; but, according to the *Oil, Paint and Drug Reporter* of Jan. 30, 1899, nearly the whole supply of the world has been obtained from them.

This brief description of the borax industry and of the tariff rates and trusts connected with it will enable the reader to understand and appreciate the effects of tariffs upon trusts and trust prices as exemplified by this industry. Lack of space will prevent the statement of more than a few of the most salient effects.

TARIFF PRICES AND PROFITS.

Four days after the McKinley Bill became effective, in October, 1890, the California trust raised the price of borax (which had been $8\frac{1}{2}$ to $8\frac{3}{4}$ cents in August and September of 1890) to $9\frac{1}{4}$ to $9\frac{3}{4}$ cents per pound. The following table gives the dates of some of the more important changes in prices:—

PRICES REFINED BORAX IN NEW YORK.

(Wholesale Prices per Pound.)

	Cents.		Cents.
Oct. 26, 1891	$8\frac{3}{4}$	Feb. 10, 1896	$5\frac{3}{4}$
Oct. 26, 1892	$8\frac{1}{2}$	Oct. 19, 1896	$5\frac{1}{2}$
Jan. 6, 1893	$8\frac{1}{2}$	Nov. 9, 1896	5
Oct. 26, 1893	$8\frac{1}{4}$	Feb. 22, 1897	$5\frac{1}{4}$
Jan. 6, 1894	$8\frac{1}{4}$	Aug. 9, 1897	$5\frac{1}{4}$
Aug. 27, 1894	8	Oct. 18, 1897	6
Sept. 3, 1894	7	Nov. 29, 1897	$6\frac{1}{4}$
Oct. 29, 1894	$6\frac{3}{8}$	Dec. 27, 1897	$6\frac{3}{8}$
Jan. 6, 1895	$5\frac{1}{4}$	Jan. 3, 1898	$6\frac{3}{4}$
Mar. 4, 1895	6	Feb. 7, 1898	7
June 17, 1895	$5\frac{1}{2}$	Jan. 23, 1899	$7\frac{1}{4}$
Aug. 1, 1895	$5\frac{1}{4}$	Nov. 20, 1899	$7\frac{1}{4}$
Jan. 6, 1896	6		

The Wilson Bill took effect on Aug. 28, 1894. The following comment is from the *Oil, Paint and Drug Reporter* of Dec. 31, 1894:—

“The sweeping cut in the price of borax, which we announce in another column, to take effect Jan. 1, 1895, will be a great surprise to the trade, as the impression has become current that no further reduction would be necessary to enable the Americans to keep out the foreign and retain complete control of the home markets. . . . The net decline in the price since the new tariff came into operation is $2\frac{3}{4}$ cents per pound on crystals and powdered, and $2\frac{1}{2}$ cents per pound on refined in bags.”

It closed with the following suggestive statement:—

“It has been generally understood that an agreement exists between the American producers and the European syndicate, under which the former were to be left in possession of the home market, provided they agreed to keep out of the foreign markets. Outside competition abroad, however, made it possible for goods to be imported. Under the circumstances, what is to prevent the American producers exporting goods, and thus enlarging their markets and general sphere of usefulness, from a material standpoint?”

On Feb. 4, 1895, the same journal said:—

“The Pacific Coast Borax Company, finding the results of its efforts to place borax within the reach of all at reduced figures to have been so satisfactory, has issued another circular, announcing still lower prices for the current month, and which are lower than borax can be imported for or produced here, except under the most favorable conditions.”

On Oct. 21, 1895, the same authority said:—

“In the years that have passed large profits were made; and it may be necessary to cut into them, if the competition now in progress is of long duration. At the same time there is reason for believing that the California producers are making money under existing conditions. . . .

“There is no danger of any further competition with the foreign article. . . . The manufacturers in England have not renewed the syndicate agreement, and there does not appear to be any likelihood of their doing so.”

DINGLEY BILL PRICES.

The articles on borax in the *Oil, Paint and Drug Reporter* tell a different story under the Dingley law, which took effect July 24, 1897.

On Aug. 30, 1897, the *Reporter* said:—

“The new tariff has materially altered the situation in borax in this country. . . . There is now no possibility of any competition being feared from Europe, with the duty on refined 5 cents per pound as against 2 cents under the Act of 1894; and the domestic market is left entirely to the home refiners. . . .

“Under the low prices which were made necessary by the 2 cents duty in the Act of 1894, the demand has been largely increased; and it is possible that any material advance would check the con-

sumption. . . . Refiners may be trusted not to make a move that will restrict their production.

"Perhaps the most important element in the situation is the increase in the duty on borate of lime from $1\frac{1}{2}$ cents per pound to 4 cents, where the importation contains over 36 per cent. of anhydrous boracic acid, and 3 cents where less. This will effectively shut out all importations so long as the price of the refined article does not go too high."

On Jan. 17, 1898, this journal said:—

"The advance in the rate of duty on borax in the Act of 1897, from 2 cents per pound to 5 cents, has caused a rise in the price here from $5\frac{1}{4}$ cents in carloads, which was the market quotation when the tariff became operative, to $6\frac{3}{4}$ cents. . . .

"It is evidently the determination of refiners to raise the price by slow and easy stages until they shall reap the full increase of benefit which the new act gives them. It would not have been good policy to advance the price 3 cents per pound as soon as the tariff bill became a law, as it might have aroused the ire of consumers of borax."

These quotations from this great trade journal make it clear that the duty enables the trust to purloin money from the pockets of the people.

BORAX EXPORTED TO EUROPE.

That no duty is necessary to preserve our borax industry is evident from the fact that our output increased greatly during the Wilson Bill period, and that we have always exported borax and sold it in England, except when an agreement, offensive and defensive, between our own and foreign producers kept our product at home. A few more quotations will throw light on this subject. On Nov. 25, 1895, after discussing the heavy imports of borate of lime (4,165,765 pounds) in 1894-95, at an import price of 21-5 cents per pound, the *Oil, Paint and Drug Reporter* said:—

"Another feature of the situation is the exports of American borate of lime to England lately. Since Oct. 14, 11,558 bags have been shipped, at a valuation of \$22,939. The average price per pound was 2 cents."

July 13, 1896, the *Reporter* said:—

"A foreign outlet for California crude was sought and large quantities were exported to Liverpool last autumn. They were

sold at a profit at about 2 cents per pound. The sales of the American Company for the seven months ending March 31 last were at the rate of 11,000,000 pounds per annum, over 1,000,000 pounds having been exported to England. The actual exports to July 1, 1896, from last autumn amount to 20,420 bags, valued at \$40,018. Notwithstanding the fact that California borate of lime was sold in England at 2 cents per pound, there were imported into New York for the fiscal year ending June 30, 1896, 4,227,947 pounds of foreign borate, valued at \$102,732, as against 4,165,765 pounds the previous year, valued at \$95,734. . . .

“From a glance at the condition of affairs in the borax industry, it appears that the Californian producers hold the key to the situation. They have succeeded in underselling the South American and Asiatic borate of lime in the English market, and have thus affected the profits of the Borax Company, Limited, the concern which owns the Asiatic deposits. The annual report of this company stated that, had it not been for the French works (protected), of the company, no profit would have been made, owing to the competition with the California borate.”

On Aug. 30, 1897, the *Oil, Paint and Drug Reporter* unintentionally illustrated the difference between trusts in protected and unprotected countries:—

“The Borax Union of Great Britain collapsed some two months ago, due, possibly, to competition with borax from American borate. The price is now £14 per ton, or about 3 cents per pound, the lowest price on record. . . .

“The Société Lyonnaise, which controls its own deposits of crude in Asia Minor, and is protected on its refined in France, is also doing well; but a careful analysis of the situation cannot but reveal the commanding position occupied by the California producers in the markets of the world under the new conditions, which have been partially created by the new tariff and in great measure by the development of the Pacific Slope.”

In September, 1897, the *British and Colonial Druggist* of England explained the ability of the American producers to compete in the markets of the world by saying that to the “natural advantages in the matter of deposits of pure borax” was added an extremely heavy duty on borax, which “practically bars foreign product from entry into the States.” It said:—

“We can put this advantage in a startling way by saying that, if

American manufacturers obtained for their borax sold at home the present price of the article in this country plus the duty in America; they would be in a position to give away one and a half times as much borax as they sold at home, and yet receive a return per pound on the whole higher than the present English price per pound."

This condition should prove more "startling" to Americans than to foreigners, however. In 1898, 46,118 bags (about 2,000 tons) of borax was exported to England out of a total production in America of about 12,000 tons.

If this was exported to England at a profit, then our protective tariff simply helped the trust to outrageous profits on the borax sold here. If it was not sold at a profit, then the tariff made Americans pay the trust two profits on the borax they consumed, while Englishmen paid no profit.

American warfare from behind protected tariff walls made the borax industry unprofitable in unprotected countries, depreciated the value of foreign plants and mines, and made it easy for our government-supported trust to buy up its foreign competitors and to form a world trust. This it has done. Our borax tariff is, therefore, the real mother of this great world trust.

TRUST PRICES HERE AND IN ENGLAND.

But observe now the difference between trust prices in protected America and in unprotected England. On Oct. 28, 1899, the *Chemist and Druggist* of England quoted refined borax at 16 shillings per hundred weight. This is less than $3\frac{1}{2}$ cents per pound as against $7\frac{1}{4}$ cents in New York. And yet the same company supplies borax from the same mines and mills to both markets. Could there be a better illustration than this of the oppressive effects of tariff-protected trusts?

It may be asked why, if it owns all of the profitable mines of the world, does not the trust put its prices as high in Europe as in America? It is partly because it has not got, and it is not easy to get, as complete control of the world's borax mines as those in California and Nevada, and partly because the trust has not as yet had full opportunity to test its world monopoly. Some of the companies which it took over were under contract to supply raw material at certain prices for one, two, or three years. Until these contracts expire, refined borax will be likely to remain low in England.

GERMANY'S PROTECTED BORAX TRUST.

Germany, because of her tariff duties, has had a similar experience to ours. Thus in May, 1894, the *Chemist and Druggist*, an English publication, said:—

“At present the position of the three German manufacturers is quite secure. Aided by a rather heavy duty, they have gradually been able to reconquer their home market almost entirely from the Britishers, and even to develop a considerable foreign trade, the German exports of refined borax and boric acid having risen since 1880 from 222 tons to about 1,700 tons yearly.”

Undoubtedly, France has enjoyed, in higher prices, some of the blessings of high duties and protected combinations. The trusts that have existed in this industry in England have been comparatively short-lived and have been unable to put up prices to anything like the American level.

BORAX IN THE SENATE.

When the Dingley Bill was being discussed in the Senate in 1897 a great calamity howl went up from the California and Nevada senators about the depressed borax industry. Senator Perkins told the Senate that “there can be no trust and no monopoly of the borax fields of Nevada and California.” When attempting to answer Senator Gray’s inquiry as to why it was that an industry which had been built up on lower duties should, as time goes on and the infant industry is established, still want higher duties, Senator Perkins replied that “it is simply the old story of crushing an industry which has been established. The mines are opened; the water is pumped out of them; roads have been built to the mines; and, if they are abandoned, then the trusts again come in and advance the price.”

This absolute misrepresentation of facts passed as wisdom in the Senate.

When faced by the fact that the borax industry had passed into the hands of a British corporation,—the Pacific Borax and Redwood Chemical Works, Limited,—which had been running six months, and had, in spite of the low prices and depression, cleared 12 per cent. on its capital, absolute fabrication was resorted to and the Western senators denied the existence of the English corporation;

and Senator White, who had turned protectionist and beggar for the borax infant, read a telegram "from a gentleman in California . . . for whom I am ready to vouch," saying that "borax mines are owned by individuals and companies, all American."

Senator Stewart helped to deceive the Senate by saying that he "understood that there had been an attempt to make this sale in Europe in good faith, but I think the whole thing fell through. It was one of the bombastic prospectuses that the English put out. It must be an exaggeration." The "bombastic prospectus" had stated that the earnings of the two companies to be amalgamated (the Pacific Company being by far the larger) were \$446,000 in 1892-93, \$405,000 in 1893-94, and \$267,000 in 1894-95. The reduced profits in 1894-95 were said to be "owing to the reduction in the price of borax by the American Company."

Senator White played his part in the deception by stating that "it is an absurdity for any one . . . to assert that this article can be sent to and sold in England at 2 cents a pound at a profit, and it appears nobody was gullible enough to believe that statement." And this in face of the fact that 20,420 bags had been exported the previous year and sold for less than 2 cents "at a substantial profit," as the "bombastic prospectus" stated. One of the conditions of these sales in London was said to be that this crude borax should not be resold to American refiners.

Of course, the ordinary protective claims about "cheap foreign labor," "difference in wages in America and Turkey," "American citizens spending their money at home," "crippled home industries," "mills closed by low duties of 1894," etc., were placed before the delighted senators, although the facts were that practically all of the labor employed in the borax beds was Chinese and Indians, hundreds of whom were working for \$1 a day, and that we never before produced as much borax as we did under the low duties of 1894.

By such arguments and deceptions this trust beguiled the senators, and got its partner, the protective tariff, to put more money into the business, and to greatly increase the profits of one of the wealthiest men on the Pacific Coast. Is there anything here for the Industrial Commission to investigate?

